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! Kheis

Munisipaliteit

Municipality

Financial statements

for the year ended 30 June 2018

GENERAL INFORMATION

Legal form of entity	!Kheis Local Municipality is a Category B municipality (local municipality) as defined by the Municipal Structures Act (Act no. 117 of 1998)
Nature of business and principal activities	!Kheis Local Municipality is a local municipality performing its functions as set out in the Constitution (Act no. 105 0f 1996)
Jurisdiction	!Kheis Municipality includes the areas Grootdrink, Gariep, Topline, Wegdraai, Opwag, Groblershoop and Boegoeberg

Members of Council

Management do not have sufficient records relating to interest capitalised on plant and equipment to enable retrospectiv

Mayor	Cllr AL Diergaardt
Councillors	Cllr S Esau
	Cllr K Esau
	Cllr E Cloete
	Cllr G Beukes
	Cllr J Silo
	Cllr A Tobias
Capacity of local authority	Low capacity municipality
Accounting Officer	D Jacobs Acting Municipal Manager
Chief Financial Officer (CFO)	S Mahonie Acting Chief Financial Officer
Registered Office	97 Orange Street Groblershoop 8850
Business address	97 Orange Street Groblershoop 8850
Postal address	PO Box 178 Groblershoop 8850
Bankers	First National Bank Groblershoop 8850
Telephone number:	054 833 9500
Fax number:	054 833 9509
E-mail address:	mm1@kheism.gov.za

General information (continued)

Auditors	Auditor - General Private Bag X5013 Kimberley 8300
Management do not have sufficient records relating to interest capitalised on plant and equipment to en	
Attorneys	Becker Bergh and Moore
Enabling Legislation	Local Government: 'Municipal Finance Management Act (Act no 56 of 2003) Local Government: Municipal Systems Act (Act no 32 of 2000) Local Government: Municipal Structures Act (Act no 117 of 1998) Municipal Property Rates Act (Act no 6 of 2004) Division of Revenue Act (Act 6 of 2011) Municipal Planning and Performance Management Regulations Water Service Act (Act 108 of 1997) Housing Act (Act no 107 of 1997) Basic Conditions of Employment Act (Act no 75 of 1997) Supply Chain Management Regulations, 2005 Skills Development Levies Act (Act 9 of 1999) Unemployment Insurance Act (Act no 30 of 1966) Employment Equity Act (Act 55 of 1998) Electricity Act (Act no 41 of 1987) The Income Tax Act Value Added Tax Act Collective Agreements Infrastructure Grants SALBC Leave Regulations

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature.

Abbreviations

COID	Compensation of Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
IAS	International Accounting Standard
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (previously CMIP)
MSIG	Municipal Systems Improvement Grant
DWA	Department of Water Affairs
FMG	Financial Management Grant

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.
Management do not have sufficient records relating to interest capitalised on plant and equipment to enable retrospective expens
It is acknowledged that the accounting officer is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, standards are set for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

In my opinion as accounting officer and based on the information and explanations given by management, the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

I reviewed the municipality's cash flow forecast for the year to 30 June 2019 and its financial position as at 30 June 2018, and, in my opinion, the municipality is sound enough financially to be able to continue its service obligations to its community.

The accounting officer is responsible for the preparation of these financial statements, which are set out on pages 1 to 84 in terms of section 126 (1) of the Municipal finance Management Act and which I have signed on behalf of the municipality.

I certify that salaries, allowances and benefits of Councillors as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the constitution, read with the remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on pages 1 - 83 which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018 and were signed on its behalf by:

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Accounting Officer
D Jacobs - Acting Municipal Manager

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2018

1. Review of activities

Main business and operations
Management do not have sufficient records relating to interest capitalised on plant and equipment to ena
The municipality is engaged in providing municipal services and operates principally in the Northern Cape Province in South Africa.

The operating results and the state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comments.

2. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had accumulated surplus of R 161 351 675 and that the municipality's total assets exceed its liabilities by R 161 351 675.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of this is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

Due to lack of sufficent cashflow during the year the Municipality did struggle to continue to deliver on its promises as contained in their budget and IDP. With the communities current unemployment rate of nearly 70% this was however expected.

3. Accounting policies

The annual financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

4. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
D Jacobs	RSA Citizen

!Kheis Local Municipality

Annual Financial Statements for the year ending 30 June 2018

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017
Assets			
Current assets			
Other financial assets	5	112,583	97,972
Inventories	6	286,401	328,607
Other receivables from non-exchange transactions	7	6,197,153	5,153,039
VAT receivable	8	1,029,348	52,050
Trade and other receivables from exchange transactions	9	8,844,709	10,173,595
Cash and cash equivalents	10	92,996	309,387
		16,563,190	**16,114,650**
Non-current assets			
Property, plant and equipment	4	163,210,976	162,546,339
		163,210,976	**162,546,339**
Total assets		**179,774,166**	**178,660,989**
Liabilities			
Current liabilities			
Unspent conditional grants and receipts	12	7,108,244	544,003
Provisions	13	4,089,111	3,803,824
Short-term portion of Long Service Awards	14	12,440	12,440
Payables from exchange transactions	15	19,543,920	18,993,162
VAT payable	8	-	3,176,273
Current portion of non-current liabilities	16	874,830	1,987,810
Consumer deposits	17	90,031	89,931
		31,718,576	**28,607,443**
Non-current liabilities			
Finance lease obligation	11	2,377,908	4,323,777
Long-term portion of Long Service Awards	14	281,041	393,579
		2,658,948	**4,717,356**
Total liabilities		**34,377,525**	**33,324,799**
Net assets		**145,396,641**	**145,336,190**
Accumulated surplus / (deficit)		145,396,642	145,336,190
Total net assets		**145,396,642**	**145,336,190**

!Kheis Local Municipality

Annual Financial Statements for the year ending 30 June 2018

Statement of Changes in Net Assets

Figures in Rand	Accumulated Surplus	Total net assets
Balance at 01 July 2014	**138,873,147**	**138,873,147**
Changes in nett assets	-	-
Prior Adjustment	-	-
Surplus for the year	3,340,528	3,340,528
Total changes	3,340,528	3,340,528
Balance at 30 June 2015	**142,213,675**	**142,213,675**
Changes in nett assets	-	-
Prior Adjustment	(3,111,056)	(3,111,056)
Surplus for the year	7,903,031	7,903,031
Total changes	4,791,975	4,791,975
Balance at 30 June 2016	**147,005,650**	**147,005,650**
Changes in nett assets	-	-
Prior Adjustment	115,722	115,722
Surplus for the year	(1,785,182)	(1,785,182)
Total changes	(1,669,459)	(1,669,459)
Balance at 30 June 2017	**145,336,190**	**145,336,190**
Changes in nett assets	-	-
Prior Adjustment	(2,609,083)	(2,609,083)
Surplus for the year	2,669,531	2,669,531
Total changes	60,448	60,448
Balance at 30 June 2018	**145,396,639**	**145,396,639**

Statement of Financial Performance

Figures in Rand	Note (s)	2018	2017
Revenue			
Sale of goods		204,442	674,414
Rental of facilities and equipment		987,609	1,268,594
Property rates	19	4,527,683	4,998,000
Service charges	20	9,904,817	5,366,064
Government grants & subsidies	21	41,852,374	37,839,118
Licenses and permits		172,168	257,953
Recoveries		-	-
Other income	22	755,184	239,800
Interest received - consumer accounts	27	3,607,909	
Interest received - investment	27	296,365	270,807
Total revenue	18	**62,308,551**	**50,914,750**
Expenditure			
Personnel	24	(25,787,524)	(25,691,345)
Remuneration of councillors	25	(2,987,373)	(2,373,500)
Debt impairment	26	(8,861,177)	(4,629,721)
Depreciation and amortisation	28	(7,355,644)	(7,926,615)
Finance costs	29	(367,452)	(1,700,244)
Grants and Subsidies Paid - Operational (UDS Toilets)	31	-	(1,441,094)
Repairs and maintenance		(1,262,499)	(943,479)
Bulk purchases	32	(1,200,242)	(901,171)
General expenses	23	(13,886,688)	(9,131,072)
Total expenditure		**(61,708,600)**	**(54,738,239)**
Operating (deficit) surplus		**599,950**	**(3,823,489)**
Gain on non-current assets held for sale or disposal groups		2,069,581	2,038,307
(Deficit) surplus for the year		**2,669,531**	**(1,785,182)**

Cash Flow Statement

Figures in Rand	Note (s)	2018	2017
Cash flows from operating activities			
Receipts			
Taxation / Sale of goods and services		5,410,109	6,567,474
Grants		41,852,374	33,947,249
Interest income from investing activities		296,365	270,807
Interest received from trading activities		3,607,909	
		51,166,757	40,785,530
Payments			
Employee costs		(28,774,898)	(28,005,018)
Suppliers		(5,241,022)	(5,232,833)
Finance costs		(367,452)	(54,490)
Other payments			
		(34,383,372)	(33,292,341)
Net cash flows from operating activities	33	**16,783,385**	**7,493,189**
Cash flows from investing activities			
Purchase of property. plant and equipment	4	(10,811,901)	-8,348,915
Proceeds from sale of property, plant and equipment	4		(1,159,376)
Purchase from other intangible assets	5	-	-
Net cash flows from investing activities		**(10,811,901)**	**(9,508,291)**
Cash flows from financing activities			
Finance lease written off/New finance leases		-4,242,007	
Transfer to payables from exchange transactions			
Finance lease payments		(1,945,869)	1,908,835
Net cash flows from financing activities		**(6,187,876)**	**1,908,835**
Net increase / (decrease) in net cash and cash equivalents		**(216,392)**	**(106,268)**
Cash and cash equivalents at beginning of year		309,387	415,655
Cash and cash equivalents at end of the year	10	**92,996**	**309,387**

1. Presentation of Annual Financial Statements

The annual annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

1.1 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2014 and 30 June 2015 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

(a) Is required by a Standard of GRAP; or
(b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the annual financial statements. The reclassification of 2017 audited amounts are set out in note 3 of the annual financial statements.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statement. Significant judgement include:

1.2.1 Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

1.2.2 Allowance for slow moving, damaged and obsolete stock

An allowance is made for slow-moving, damaged and obsolete inventory to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the statement of financial performance.

1.2 Significant judgements and sources of estimation uncertainty (Continued)

1.2.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The carrying less impairment provision of trade receivebles and payables are assumed to approximate their fair values. The fair value of financial laibilities for disclosure purposes is estimated by discounting the future conctractual cash flows at the current market interest rate that is available to the municipality for similiar financail instruments.

1.2.4 Provisions and contingent liabilities

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

1.2.5 Useful lives of property, plant and equipment and intangible assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

1.2.6 Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2.7 GRAP 24: Presentation of Budget information

The municipality is required to present a comparison of the budget amounts for which it is held publicy accountable. The comparison of budget and actual amounts present seperately for each level of legislative oversight:

- the approved and final budget
- the adjustment budget
- the actual amounts on a comparitive basis

1.2.8 Revenue Recognition

Accounting Policy 11.2 on *Revenue from Exchange Transactions* and Accounting Policy 11.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.
In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GRAP 23 (*Revenue from Non-exchange Transactions*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.9 Financial Assets and Liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 8.1 on *Financial Assets Classification* and Accounting Policy 8.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.
In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of Financial Instruments as set out in GRAP 104 (*Financial Instruments*).

1.2 Significant judgements and sources of estimation uncertainty (Continued)
1.2.10 Impairment of Financial Assets

Accounting Policy 8.4 on *Impairment of Financial Assets* describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in GRAP 104 (*Financial Instruments*) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- Impairment of Trade Receivables:
  The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

1.2.11 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 3.3, 4.2 and 5.2, the municipality depreciates its Property, Plant & Equipment and Investment Property, and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1.2.12 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventories

Accounting Policy 7 on *Impairment of Assets*, Accounting Policy 4.2 on *Intangible Assets – Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 9.2 on *Inventory – Subsequent Measurement* describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (Impairment of Non-cash Generating Assets) and GRAP 26 (Impairment of Cash Generating Assets). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

1.2.13 Water Inventory
The estimation of the Water Inventory in reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Accounting Policy 9.2.2.

1.2.14 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.2 Significant judgements and sources of estimation uncertainty (Continued)

1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Basis* .

1.5 Offsetting

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors* .

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2017/18 financial year and municipalities are not required to apply or early adopt GRAP 18. The implementation date of GRAP 18 is 1 April 2019.

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

REFERENCE	TOPIC	EFFECTIVE DATE
● GRAP 18	Segment Reporting - issued March 2005	01 April 2019
● GRAP 20	Related Party Disclosures (Revised)	01 April 2019
● GRAP 32	Service Concession Arrangement Grantor	01 April 2019
● GRAP 105	Transfers between Entities under common control - issued November 2010	01 April 2019
● GRAP 106	Transfers between Entities not under common control - issued November 20	01 April 2019
● GRAP 107	Mergers - issued November 2010	01 April 2019
● GRAP 108	Statutory Receivables	01 April 2019
● GRAP 109	Accounting by Principles and Agents	01 April 2019
● GRAP 110	Living and Non-Living resources	01 April 2020
● IGRAP 17	Service Concession Arrangement Grantor	Unknown

2.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of Property, Plant and Equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

~~Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of~~ assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Property, Plant and Equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

2. Property, plant and equipment (Continued)

2.1 Initial Recognition (Continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is alsoincluded in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

2.2 Subsequent Measurement

Subsequent expenditure relating to Property, Plant and Equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

2.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method* , to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset’s future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

The useful lives of items of property , plant and equipment have been assessed as follows:

2.3 Depreciation (Continued)

Buildings	
- Buildings	25-30 Years
- Improvements	25-30 Years
- Recreational Facilities	20-30 Years
Infrastructure	
- Roads and paving	30 Years
- Pedestrian malls	15-30 years
- Electricity	20-30 years
- Water resevoirs	15-20 years
- Sewerage pump stations	15-20 years
- Housing	25-30 years
Other property, plant and equipment	
- Specialist vehicles	5-10 years
- Other vehicles	4-7 years
- Office equipment	3-7 years
- Furniture and Fittings	7-10 years
- Bins and containers	5 years
- Specialized plant and equipment	10-15 years
- Other plant and equipment	2-5 years
- Landfill sites	15 years
- Lease hold property	3-5 years
- Security	3-5 years

The assets' residual values, estimated useful lives and depreciation method are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

2.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

2.5 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure Assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure Assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

2.6 Incomplete Construction Work

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

2.7 Leased Assets

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the municipality or, where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

2. Property, plant and equipment (continued)

2.8 Derecognition

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

3. Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Intangible assets (continued)

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item
Computer software, other

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

4. Financial Instruments Classification

The municipality classifies financial assets and financial liabilities into the following categories:
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Comsumer deposits are subsequently recorded in accordance with the accounting policy of trade and other payable.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

4. Financial Instruments Classification (continued)

Fair value determination

Fair value information for trade and other receivables is determined as the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The fair values of quoted investment are based on current bid prices

If the market for a financial asset is not active (and for unlisted securities) , municipality established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs.

The Effective Interest Rate Method

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial Instrument or, when appropriate, a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

Amortised Cost

Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the Effective Interest Rate Method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

4.1 Impairment of financial assets

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-forsale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into
the three categories allowed by this standard:

4. Financial Instruments Classification (continued)

4.1 Impairment of financial assets (Continued)

- **Financial Assets measured at Amortised Cost** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.

- **Financial Assets measured at Fair Value** are financial assets that meet either of the following conditions:

  (i) Derivatives;
  (ii) Combined instruments that are designated at fair value;
  (iii) Instruments held for trading;
  (iv) Non-derivative Financial Instruments with fixed or determinable payments that are
  (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised

- **Financial Assets measured at Cost** are investments in residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The municipality has the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	ation in terms of G
Non-current Investments	Financial Assets at Amortised Cost
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Notice Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value
Current Portion of Non-current Investments	Financial Assets at Amortised Cost
Current Portion of Long-term Receivables	Financial Assets at Amortised Cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Amortised Cost.

4.2 Financial Liabilities – Classification

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

~~There are three main categories of Financial Liabilities, the classification determining how they are measured~~.
Financial Liabilities may be measured at:

(i) Financial Liabilities measured at Fair Value;
(ii) Financial Liabilities measured at Amortised Cost; or
(iii) Financial Liabilities measured at Cost.

4. Financial Instruments Classification (continued)

4.2 Financial Liabilities – Classification (Continued)

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	ation in terms of G
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortised Cost
Bank Overdraft	Financial Liabilities at Amortised Cost
Short-term Loans	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

Financial Liabilities that are measured at Fair Value are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank Overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

4.3 Initial and Subsequent Measurement

4.3.1 Financial Assets:

Financial Assets measured at Amortised Cost
Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis* .

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost* .

Financial Assets measured at Fair Value
Financial Assets at Fair Value are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

4.3.2 Financial Liabilities:

Financial Liabilities measured at Fair Value
Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

~~**Financial Liabilities held at Amortised Cost**~~

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

4. Financial Instruments Classification (continued)
Financial Liabilities held at Amortised Cost (Continued)

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the *Accrual Basis* and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

4.3.3 Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncorrectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

4.3.4 Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

4.3.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

4.3.6 Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

4.3.7 Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

4.3.8 Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

4.3.9 Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on an available - for - sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until financial assets is derecognised, at time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and

- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process

4.3.10 Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

5. Leases

5.1 Classification

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

5. Leases (Continued)
5.2 The Municipality as Lessee

5.2.1 Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

5.2.2 Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

5.3 The Municipality Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

5.4 Determining whether an Arrangement contains a Lease

At inception of an arrangement, the municipality determines whether such an arrangement is, or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the municipality the right to control the use of the underlying asset. At inception, or upon reassessment of the arrangement, the municipality separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the municipality's incremental borrowing rate.

6. Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

6. Inventories (continued)

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

7. Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or

7.1 Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

7.2 Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

7. Impairment of cash-generating assets (Continued)
7.3 Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

7.4 Recognition and measurement (individual asset)
If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

7.5 Cash-generating units
If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cashgenerating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing. 520913.12

168294.96

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless

76966.94

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

7. Impairment of cash-generating assets (Continued)

7.5 Cash-generating units (Continued)

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that noncash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

7.6 Reversal of impairment loss

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

7.7 Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

7. Impairment of cash-generating assets (continued)
7.8 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return.

When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Useful life is either:
(b) the number of production or similr units expected to be obtained from the asset by the municipality.

7.9 Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

7.10 Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

7.11 Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

7. Impairment of cash-generating assets (continued)

7.12 Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

7.13 Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

7.14 Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

7.15 Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

7.18 Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

8. Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide postemployment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

8.1 Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be sttled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

8. Employee benefits (continued)

8.1 Short-term employee benefits (continued)

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

8.2 Long Service Awards

Where the entity pay insurance premiums to fund a post-employment benefit plan, the entity treats such a plan as a defined contribution plan unless the entity will have (either directly or indirectly through the plan) a legal or constructive obligation to either:

- pay the employee benefits directly when they fall due; or
- pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior reporting periods.

If the entity retains such a legal or constructive obligation, the entity treats the plan as a defined benefit plan.

8.3 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

8. Employee benefits (continued)

8.3 Provisions and contingencies (continued)

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

8. Employee benefits (continued)

8.3 Provisions and contingencies (continued)

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date.

Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

9. REVENUE RECOGNITION

9.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from Exchange Transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from Non-exchange Transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

9.2 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Revenue consists primarily of grants of National- and Provincial Government, service charges, rentals, interest received and other service rendered

9. REVENUE RECOGNITION (Continued)

9.2 Revenue from exchange transactions (Continued)

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

When considering the probability of the future economic benefits that will flow to the entity, consideration is given to the requirements as outlined in IGRAP 1

9.2.1 Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

9.2.2 Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

9.2.3 Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Rendering of services consist out of solid waste, sanitation, sewerage and water.

9. REVENUE RECOGNITION (Continued)
9.2.4 Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

9.2.5 Service Charges

Service Charges are levied in terms of approved tariffs.

Service Charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the number of refuse collections on each property during the week.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

9.2.6 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a *Straight-line Basis* over the term of the lease

9.2.7 Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on Trust Funds is allocated directly to the fund.
- Interest earned on unutilised Conditional Grants is allocated directly to the Creditor: Unutilised

9.2.8 Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

9. REVENUE RECOGNITION (Continued)
9.2.9 Royalties

Royalties are recognised on an *Accrual Basis* in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a *Straight-line Basis* over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

9.2.10 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

9.2.11 Revenue from Agency Services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

9.2.12 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

(a) The municipality has transferred to the buyer the significant risks and rewards of ownership of
(b) The municipality retains neither continuing managerial involvement to the degree usually
(c) The amount of revenue can be measured reliably;
(d) It is probable that the economic benefits or service potential associated with the transaction will
(e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

9.2.13 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

9.3 Revenue from Non-exchange Transactions

An inflow of resources from a Non-exchange Transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a Non-exchange Transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

9.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a *Time-proportionate Basis* with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

9. REVENUE RECOGNITION (Continued)

9.3.2 Fines

Fines constitute both spot fines and summonses. Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

An estimate is made for revenue from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised when the public prosecutor pays the cash collected over to the municipality.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not be made at the time of initial recognition.

9.3.3 Public Contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

9.3.4 Government Grants and Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

9. REVENUE RECOGNITION (Continued)
9.3.4 Government Grants and Receipts (Continued)

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

10. Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

11. Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current

12. Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

13. Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

14. Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

14. Irregular expenditure (Continued)

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

15. Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

16. Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

17. Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

18. Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

19. Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

20. Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2013/07/01 to 2016/06/30.

The annual financial statements and the budget are not on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

21. Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered to be at arms length and in the ordinary course of business are not disclosed in accordance with IPSA 20 Related Party Disclosure.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling, the activities of the entity, We regard all individuals from the level of Accounting Officer and Council members as well as managers and directors reporting directly to the municipal manager as key management per the definition of the financial reporting standard.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

22. Value added tax

The municipality is registered with SARS for VAT on the payment basis, in accordance with Sec 15(2)(a) of the Value-Added tax Act No 89 of 1991.

~~Revenue, expenses and assets are recognised net of the amounts of value added tax. The net~~ amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

23. Capital commitments

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.

Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.

Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

24. Provisions

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

24.1 Provision for Environmental Rehabilitation

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

25. TAXATION

25.1 Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

25.2 Deferred tax assets and liabilities

Deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

25.3 Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus/deficit for the period.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

Figures in Rand	2018	2017

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2018 is as follows:

Statement of financial position
Cash flow statement

Management do not have sufficient records relating to interest capitalised on plant and equipment to enable retrospective expensing of borrowing cost. For this reason the change in accounting policy is applied prospectively.

3. Reclassification of items in the Financial Statementsas a result of the implementation of mSCOA

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the financial statements. The reclassification of 2017 audited amounts can be summarised as follows:

	Balance previously reported	Adjustments	Restated Balance
Statement of Financial Position			
Other financial assets	97,972	-	97,972
Inventories	328,607	-	328,607
Other receivables from non-exchange transactions	5,153,039	-	5,153,039
VAT receivable	52,050	-	52,050
Trade and other receivables from exchange transactions	10,173,595	-	10,173,595
Cash and cash equivalents	309,387	-	309,387
Property, plant and equipment	162,546,339	-	162,546,339
Unspent conditional grants and receipts	544,003	-	544,003
Provisions	3,803,824	-	3,803,824
Short-term portion of Long Service Awards	12,440	-	12,440
Payables from exchange transactions	18,993,162	-	18,993,162
VAT payable	3,176,273	-	3,176,273
Current portion of non-current liabilities	1,987,810	-	1,987,810
Consumer deposits	89,931	-	89,931
Finance lease obligation	4,323,777	-	4,323,777
Long-term portion of Long Service Awards	393,579	-	393,579
Accumulated surplus / (deficit)	145,336,190	-	145,336,190
		-	

Statement of Financial Performance	**Balance previously reported**	**Adjustments**	**Balance previously reported**
Sale of goods	674,414	-	674,414
Rental of facilities and equipment	1,268,594	-	1,268,594
Property rates	4,998,000	-	4,998,000
Service charges	5,366,064	-	5,366,064
Government grants & subsidies	37,839,118	-	37,839,118
Licenses and permits	257,953	-	257,953
Recoveries	-	-	-
Other income	239,800	-	239,800
Interest received - consumer accounts		-	-
Interest received - investment	270,807	-	270,807
Personnel	(25,691,345)	-	(25,691,345)
Remuneration of councillors	(2,373,500)	-	(2,373,500)
Debt impairment	(4,629,721)	-	(4,629,721)
Depreciation and amortisation	(7,926,615)	-	(7,926,615)
Finance costs	(1,700,244)	-	(1,700,244)
Grants and Subsidies Paid - Operational (UDS Toilets)	(1,441,094)	-	(1,441,094)
Repairs and maintenance	(943,479)	-	(943,479)
Bulk purchases	(901,171)	-	(901,171)
General expenses	(9,131,072)	-	(9,131,072)
Gain on non-current assets held for sale or disposal groups	2,038,307	-	2,038,307
Net Surplus/(Deficit) for the year	**(1,785,182)**	**-**	**(1,785,182)**

Figures in Rand	2018	2017

4. Property, plant and equipment

	2018			2017		
	Cost/Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost/Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	-	-	-	57,544,582	-3,037,380	**54,507,202**
Infrastructure	138,364,910	-61,797,212	76,567,698	115,924,397	-58,063,783	**57,860,614**
Community	12,380,254	-6,511,900	5,868,354	12,375,473	-5,887,669	**6,487,803**
Other property, plant and equipment	65,498,251	-9,984,397	55,513,854	15,783,348	-13,819,341	**1,964,006**
Lease hold assets	3,629,718	-566,901	3,062,817	5,497,895	-1,255,889	**4,242,007**
Management do not have sufficient records relating to	**219,873,132**	**-78,860,410**	**141,012,723**	**207,125,694**	**-82,064,062**	**125,061,632**

Work in progress	**22,198,253**	**Work in progress**	**37,484,707**
- Buildings	-	- Buildings	-
- Infrastructure Assets	*22,198,253*	- Infrastructure Assets	*36,809,496*
- Community Assets	-	- Community Assets	*675,211*
- Other Property Plant and Equipment	-	- Other Property Plant and Equipment	-
Total	**163,210,976**		**162,546,339**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Prior year adjustments	Additions	Disposals	Prior year adjustments	Depreciation	Total
Buildings	54,507,202		-	-		-394,945	**54,112,257**
Infrastructure	57,860,614	6,237,661	-	-	-282,005	-4,632,763	**59,183,507**
Community	6,647,633		603,694	-		-763,524	**6,487,803**
Other property, plant and equipment	1,964,005	8,024,455	71,448	-28,000	-7,452,751	-849,638	**1,729,518**
Other lease assets	4,242,007		-	-		3,116,897	**7,358,904**
Work in progress	34,822,748		10,136,759		-		**44,959,508**
	160,044,210	**14,262,116**	**10,811,901**	**-28,000**	**-7,734,757**	**-3,523,973**	**173,831,497**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Other changes - movements	Depreciation	Total
Buildings	54,902,148				-394,945	**54,507,202**
Infrastructure	62,775,382			-282,005	-4,632,763	**57,860,614**
Community	6,647,633	603,694			-763,524	**6,487,803**
Other property, plant and equipment	10,222,946	71,448	-7,480,751		-849,638	**1,964,005**
Other lease assets	1,104,509	5,497,895	-4,221,406		1,861,008	**4,242,007**
Work in progress	34,822,748	8,694,461	-8,694,461			**34,822,748**
	170,475,365	**14,867,499**	**-20,396,618**	**-282,005**	**-4,779,861**	**159,884,380**

Assets subject to finance lease (net carrying value)

No assets have been pledged as collateral for liabilities of the municipality

5. Other financial assets

At amortised cost
Unlisted Investments

	2018	2017
First National Bank - Branch: Groblershoop, Account number 711297993876 Interest rate: 6,38%, Investment term is 12 months	112,583	97,972
	112,583	**97,972**

No investment have been pledged as collateral for liabilities of the municipality

6. Inventories

Inventories	215,593	261,821
Water	70,808	66,786
	286,401	**328,607**

As the municipality do not made use of a formal inventory system, and inventory are determined via a stock take at year end of all unused materials. Inventory are recorded throught the adjustment journals set off against repairs and maintenance expenses.

Inventory pledged as security

No inventories have been pledged as collateral for liabilities of the municipality

7. Receivables from non-exchange transactions

Rates and other taxes	-	77,970
Property Rates	21,018,942	8,282,456
Impairment	-7,765,261	-6,293,631
Housing Suspense Debtor	-	616,672
Various controls	880,866	880,866
Sundry Debtors	1,856,782	1,588,706
Payments not updated to debtors	-9,794,175	-
	6,197,153	**5,153,039**

8. VAT receivable/ (payable)

VAT receivable	1,029,348	52,050
VAT payable	-	-3,176,273

The municipality is registered at SARS on the payments basis. Only once payment is received from debtors, VAT is paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

9. Trade and other receivables from exchange transactions

Gross balances

Water	14,085,293	10,506,256
Sewerage	8,171,287	6,392,879
Refuse	12,355,336	9,476,604
Agriculture	-	-
Business and Commercial	-	-
National Government	-	-
Developed	-	-
Other debtors	3,765,347	2,764,592
VAT debtors	-	3,176,273
Less: Allowance for impairment	**38,377,263**	**32,316,603**
Water	-10,846,671	-7,983,441
Sewerage	-6,280,516	-4,857,789
Refuse	-9,504,019	-7,201,034
Other debtors	-2,901,348	-2,100,744
Net balance	**-29,532,555**	**-22,143,008**
Water	3,238,622	2,522,815
Sewerage	1,890,772	1,535,090
Refuse	2,851,316	2,275,570
Other debtors	863,999	663,848
VAT debtors	-	3,176,273
	8,844,709	**10,173,595**
Less: Debtors with credit balances	0	**-**
Net balance of trade and receivables from exchange transaction	**8,844,709**	**10,173,595**

Age analysis as per services (segments) excluding debtors with crediit balances.

Rates		
Current (0 -30 days)	-	-16,368
31 - 60 days	-	1,111,850
61 - 90 days	-	73,803
91 - 120 days	-	34,202
121 - 365 days	-	7,078,969
	-	**8,282,456**
Water		
Current (0 -30 days)	-	-106
31 - 60 days	-	214,706
61 - 90 days	-	213,430
91 - 120 days	-	249,623
121 - 365 days	-	9,828,603
> 365 days	-	-
	-	**10,506,256**
Sewerage		
Current (0 -30 days)	-	-
31 - 60 days	-	95,324
61 - 90 days	-	69,353
91 - 120 days	-	137,377
121 - 365 days	-	6,090,825
> 365 days	-	-
	-	**6,392,879**
Refuse		
Current (0 -30 days)	-	-237
31 - 60 days	-	125,833
61 - 90 days	-	119,704
91 - 120 days	-	208,472
121 - 365 days	-	9,022,832
> 365 days	-	-
	-	**9,476,604**
Other (specify)		
Current (0 -30 days)	-	-8,243,449
31 - 60 days	-	29,635
61 - 90 days	-	27,373
91 - 120 days	-	40,215
121 - 365 days	-	8,810,074
	-	**663,847**

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	-	-7,811,035
31 - 60 days	-	926,111
61 - 90 days	-	358,475
91 - 120 days	-	610,766
121 - 365 days	-	34,547,511
	-	**28,631,828**
Industrial/Commercial		
Current (0 -30 days)	-	-347,715
31 - 60 days	-	532,850
61 - 90 days	-	105,790
91 - 120 days	-	34,321
121 - 365 days	-	1,750,773
	-	**2,076,020**
National and provincial government		
Current (0 -30 days)	-	-88,805
31 - 60 days	-	117,949
61 - 90 days	-	38,926
91 - 120 days	-	24,196
121 - 365 days	-	1,516,490
	-	**1,608,755**
Total		
Current (0 -30 days)	-	-8,247,555
31 - 60 days	-	1,576,910
61 - 90 days	-	503,191
91 - 120 days	-	669,283
121 - 365 days	-	37,814,773
	-	**32,316,603**
Less: Allowance for impairment	-	-28,436,639
	-	**3,879,964**

Reconciliation of allowance for impairment

Balance at beginning of the year	-26,525,731	-28,436,638
Contributions to allowance	-	-4,629,721
Less: Bad debts written-off/Corrections	-	6,540,627
	-26,525,731	**-26,525,731**

Receivables from Non-Exchange transactions

Other debtors include outstanding debtors for various other services, e.g. rentals, sundry, etc.

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

In determining the recoverability of a Receivable, the municipality considers any change in the credit quality of the Receivable from the date credit was initially granted up to the reporting date. Furthermore, the municipality has also placed a strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers and is not concentrated in any particular sector or geographical area. Accordingly, management believe that there is no further credit provision required in excess of the Provision for Impairment.

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

Consumer debtors pledged as security

None of the consumer debtors were pledged as security for any finanial liability.

Interest on consumer accounts

No interest were charged/levied on arrear consumer (debtors) accounts.

Consumer debtors impaired

As of 30 June 2018, consumer debtors of R 37 297 816 - (2017: R36 166 625) were impaired and provided for. In determining the recoverability of a consumer debtor, the municipality consider any change in the credit quality of the trade receivable from the date credit was granted up to the end of the reporting period.

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,526	-449
Bank balances	90,724	108,990
Short-term deposits	746	200,847
	92,996	**309,387**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings, if available:

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30-Jun-18	30-Jun-17	30-Jun-16	30-Jun-18	30-Jun-17	30-Jun-16
First National Bank Branch: Groblershoop Account number: 62026193441	180,262	109,440	235,665	90,724	108,990	235,665
First National Bank: Branch: Groblershoop Account number 62150559486 - FMG/MSIG	40	73,988	623			
First National Bank. Branch: Groblershoop Account number 62304431828 - Library Account	46	37,894	767			
First National Bank. Branch: Groblershoop Account number 62304432123 - LOTTO account	82	1,182	85,427			
First National Bank. Branch: Groblershoop Account number 62102417567 - MIG Account	49	17,142	89,716			
First National Bank. Branch: Groblershoop Account number 71129793876 - BUSS Eff		97,972	91,119	113,329	298,818	298,818
First National Bank. Branch: Groblershoop Account number 62364746986 - Pula Nala	28	6	992			
First National Bank. Branch: Groblershoop Account number 62364746580 - EPWP Account	501	70,635	938			
First National Bank. Branch: Groblershoop Account number 71197351979 - Fixed Deposit	105,731	-	600,000			
Total	**286,739**	**408,258**	**1,105,248**	**204,052**	**407,808**	**534,483**

11. Finance lease obligation

Minimum lease payments due		
- within one year	874,830	1,987,810
- in second to fifth year inclusive	2,377,908	4,323,777
	3,252,738	6,311,587
less: future finance charges	-969,004	-1,700,244
Present value of minimum lease payments	**2,283,734**	**4,611,343**
Present value of minimum lease payments due		
- within one year	-	1,150,284
- in second to fifth year inclusive	-	3,461,064
- less interest	-	-
	-	**4,611,348**
Less: Amount re allocated for short term portion	874,830	1,987,810

It is municipality policy to lease certain equipment under finance leases.

The municipality enters into a new lease agreement on 01 July 2016 of this financial year. The previous lease agreements has been cancelled. The average lease term was 5 years and the average effective borrowing rate was 15% (2016: 15%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:		
Water Service Infrastructure Grant	5,013,734	-
MIG Grants	1,533,679	-
Library Grant	560,831	544,003
MSIG	-	-
	7,108,244	**544,003**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

The municipality has complied with all the conditions set by the transferring organs of state or the conditions set by the other institutions who made allocations to the municipality. The unspent portion of conditional allocations are disclosed as unspent conditional grants on the face value of the Statement of Financial Position of the municipality.

See note 21 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

13. Provisions

Opening balance	3,803,824	3,538,441
Contribution for the year	285,287	265,383
Change in Provision for Rehabilitation costs	-	-
Total provision	**4,089,111**	**3,803,824**

Reconciliation of provisions – 2018

	Opening Balance	Additions	Total
Environmental rehabilitation	3,803,824	285,287	4,089,111
	3,803,824	**285,287**	**4,089,111**

Reconciliation of provisions – 2017

	Opening Balance	Additions	Total
Environmental rehabilitation	3,538,441	265,383	3,803,824
	3,538,441	**265,383**	**3,803,824**

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act 28 of 2002). This provision adjusted according to new calculation by Consulting Engineers.

The consultants find that the landfill sites are non-compliant according to Chapter 3 of National Environmental Management Act (Act 107 of 1998) and Chapter 4, Section 20 and Chapter 7, Section 67 (1) (a) of the National Environmental Management: Waste Act, (Act 59 of 2008).

Some of the landfill sites are at a capacity of 80%, based on the calculations, we can dump waste for at least two additional years.

14. Employee benefit obligations

	Opening Balance	Additions	Total	2017
Long Service Awards	406,019	-112,538	293,481	197,365
	406,019	**-112,538**	**293,481**	**197,365**

Long Service Awards		
Balance 01 July 2017	393,579	**197,365**
Contributions for the year	-112,538	**196,214**
Expenditure for the year	-	**-**
Actuarial Loss/(gain)	-	**-**
Total provision 30 June 2018	**281,041**	**393,579**
Less: transfer of current portion to current liabilities	**12,440**	**-12,440**
Balance 30 June 2018	**293,481**	**406,019**

Long service awards calculation are based on the Bargaining Councils Collective Agreement and only become applicable on completion of a predetermined cycle. In other words a ten year long service awards, only materialised once a person completed ten years of services.

15. Payables from exchange transactions

Bonus and leave accruals	2,578,039	3,177,971
Debtors with credit balances	669,068	662,089
DWAF Funds water	655,566	682,997
Payment received in advanced - Unallocated deposits	-	475,809
Retention creditors		
Suspense creditors	78,870	405,985
Trade payables	11,489,908	12,907,977
3rd Party payments	4,072,469	680,334
	19,543,920	**18,993,162**

Payables are being recognised nett of any discounts. The carrying value of trade and other payables approximates its fair value. All payables are unsecured. Debtors with credit balances represents payments received in advance.

16. Current portion of borrowings

DBSA loan - Short term portion	-	-
Nashua leases - Short term portion	874,830	1,987,810
	874,830	**1,987,810**

17. Consumer deposits

Water	90,031	89,931

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts

18. Revenue

Government grants & subsidies	41,852,374	37,839,118
Interest received - Consumer accounts	3,607,909	-
Interest received - investment	296,365	270,807
Licences and permits	172,168	257,953
Other income	755,184	239,800
Property rates	4,527,683	4,998,000
Recoveries	-	-
Rental of facilities and equipment	987,609	1,268,594
Sale of goods	204,442	674,414
Service charges	9,904,817	5,366,064
	62,308,551	**50,914,750**

The amount included in revenue arising from exchanges of goods or services are as follows:

Interest received - Consumer accounts	3,607,909	-
Interest received - investment	296,365	270,807
Licences and permits	172,168	257,953
Other income	755,184	239,800
Recoveries	-	-
Rental of facilities and equipment	987,609	1,268,594
Sale of goods	204,442	674,414
Service charges	9,904,817	5,366,064
	15,928,493	**8,077,633**

The amount included in revenue arising from non-exchange transaction are as follows:

Taxation revenue		
Property rates	4,527,683	4,998,000
Transfer revenue		
Government grants & subsidies	41,852,374	37,839,118
	46,380,057	**42,837,117**

19. Property rates

Rates received

Residential	**4,527,683**	**4,998,000**

Valuations

Residential	98,160,000	98,160,000
Commercial	31,240,000	31,240,000
State	41,707,000	41,707,000
Municipal	287,434,000	287,434,000
Small holdings and farms	1,677,710,000	1,677,710,000
Public Worship	9,330,000	9,330,000
Other - Vacant land	3,162,000	3,162,000
	2,148,743,000	**2,148,743,000**

Property rates are levied on the value of land and improvements. Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014

Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an annual basis with the final date for payment being 30 June 2017

The new general valuation will be implemented on 01 July 2018

An general rate is applied as follows to property valuations to determine property rates:
Residential Properties: 0.0093c/R (2017: 0.0093c/R)
Business Properties: 0.0116c/R (2017: 0.0116c/R)
Agricultural Properties: 0.0019c/R (2017: 0.0019c/R)
State Properties: 0.0023c/R (2017: 0.023c/R)

The first R 15 000 (2017: R 15 000) of the valuation of all residentual properties are exempted from the calculation of rates.

20. Service charges

Refuse removal	3,202,136	1,429,074
Sale of water	4,253,798	2,666,801
Sewerage and sanitation charges	2,448,883	1,270,189
	9,904,817	**5,366,064**

The amount disclosed above for revenue from service charges are in respect of services rendered which are billed to the customers on a monthly basis according to approved tariffs

21. Government grants and subsidies

Operating grants and subsidies

Equitable Share	21,454,000	20,223,000
Finance Mangement Grant	2,345,000	2,010,000
Library Grant	890,172	738,140
SPLUMA	-	5,526
National Treasury - AG	4,412,615	-
	29,101,787	22,976,666

Capital grants

Water Income - DWA	-	-
Lotto sportgronde	-	3,660,452
Expanded Public Works Programme (EPWP)	1,000,000	1,000,000
Municipal Infrastructure Grant (MIG)	9,264,321	10,202,000
Water Service Infrastructure Grant	2,486,266	-
	12,750,587	14,862,452
	41,852,374	**37,839,118**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	29,101,787	22,976,666
Unconditional grants received	12,750,587	14,862,452
	41,852,374	**37,839,118**

Equitable Share

In terms of the Division of Revenue Act, the annual equitable share allocated to the municipality is an unconditional grant. A portion of this grant is used to subsidise the provision of basic services to indigent community members in line with national policy. In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R340,01 - (2017: R 337.05), which is funded from the grant.

MIG Grant

Balance unspent at beginning of year	-	-
Current-year receipts	10,798,000	10,202,000
Conditions met - transferred to revenue	-9,264,321	-10,202,000
	1,533,679	**-**

The grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households. The grant was used to construct roads infrastructure as part of the upgrading of informal settlement areas. The grant was also allocated for the readication of the bucket system by building UDS toilets for the community of !Kheis.

Water Service Infrastructure Grant

Balance unspent at beginning of year	-	-
Current-year receipts	7,500,000	-
Conditions met - transferred to revenue	-2,486,266	-
	5,013,734	**-**

The purpose of the grant is to fund internal infrastructure for water services at a basic level of service.

Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	-	-
Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	-1,000,000	-1,000,000
	-	**-**

The grant is to utilised for salary expenses in regards to the expanded public works programme. The grant is in regards to the upgrading of the municipal offices. Grants received for the upgrading of the municipal offices and upgrading of internal streets.

Finance Management Grant

Current-year receipts	2,345,000	2,010,000
Conditions met - transferred to revenue	-2,345,000	-2,010,000
	-	**-**

The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA.

SPLUMA

Balance unspent at beginning of year	-	-
Current-year receipts	-	5,526
Conditions met - transferred to revenue	-	-5,526
	-	**-**

The purpose of the grant is to provide a framework for spatial planning and land use management for municipalities.

Library Grant

Balance unspent at beginning of year	544,002	190,142
Current-year receipts	907,000	1,092,000
Conditions met - transferred to revenue	-890,172	-738,140
	560,830	**544,002**

Conditions still to be met - remain liabilities (see note 15).
The grant is to utilised for the programme cost of the library and other costs as per the library proposal.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 5 of 2013), no significant changes in the level of government grant funding are expected over the forthcoming 2 financial years.

22. Other revenue

Other income	755,184	239,800
	755,184	**239,800**

Other income

Administrative handling fees	681,768	
Building Plan fees	9,749	2,606
Cemetaries	2,718	-
Clearance Certificates	6,327	10,386
Faxes	-	223
Graves fees	-	1,746
Grazing fees	26,580	
Hawkers Licenses	-	563
Miscellaneous Income	-	200,416
Photocopies	199	18,523
Prints	5,983	
Refuse removal	-	-
Tender documents	21,859	3,479
Transport	-	-
Valuation Certficates	-	1,858
	755,184	**239,800**

23. General expenses

Administrative Costs	5,179,484	144,973
Advertising	159,779	66,674
Auditors remuneration	393,481	151,238
Bank charges	2,069,968	72,973
Chemicals	56,531	470,072
Cleaning	134,929	92,479
Computer expenses	4,197	1,492,153
Consulting and professional fees	1,345,279	1,703,061
Electricity	2,075,738	2,315,732
Entertainment	2,256	2,222
EPWP Incentive	-	-
Fuel and oil	335,911	420,220
Insurance	228,093	148,223
Daily Alowances	45,385	25,435
Other expenses	201,946	200,794
Postage and courier	4,710	2,043
Printing and stationery	62,921	119,941
Protective clothing	51,566	2,049
Royalties and license fees	286,717	28,438
Salary and wages	965,419	489,807
Security	9,266	8,684
Subsistance Allowances	126,864	382,185
Subscriptions and membership fees	-	305,000
Telephone and fax	146,108	238,708
Training	-	46,097
Travel - local	141	201,871
	13,886,688	**9,131,072**

24. Employee related costs

Basic	17,291,895	17,819,442
Bonus	1,739,929	1,297,778
Housing benefits and allowances	554,956	368,100
Leave pay provision charge	258,623	1,750,809
Medical aid-company contributions	321,129	145,023
Overtime payments	15,400	16,140
Pensionfund Contributions	2,223,196	2,172,680
Skills Development Levies	207,027	200,559
Training Levies	-	30,187
Travel, motor car, accomodation, subsistence and other allowances	2,552,162	1,747,012
UIF	623,208	143,613
	25,787,524	**25,691,345**

Remuneration of Municipal Manager - HT Scheepers		
Annual Remuneration	96,330	811,490
Car Allowance	17,567	210,803
Cellphone Allowance	534	6,411
Contributions to UIF, Medical and Pension Funds	19,005	108,514
	133,437	**1,137,217**
Remuneration of Acting Municipal Manager - J Willemse		
Annual Remuneration	215,396	135,341
Car Allowance	123,957	127,289
Cellphone Allowance	3,740	4,915
Contributions to UIF, Medical and Pension Funds	2,082	1,241
	345,175	**268,787**
Remuneration of Acting Municipal Manager - D Jacobs		
Annual Remuneration (Acting Salary)	159,882	-
Car Allowance	-	-
Cellphone Allowance	-	-
Contributions to UIF, Medical and Pension Funds	-	-
	159,882	**-**
Remuneration of Chief Finance Officer - JD Block		
Annual Remuneration	485,673	520,913
Car Allowance	141,494	168,295
Cellphone Allowance	4,808	6,411
Contributions to UIF, Medical and Pension Funds	141,674	76,505
	773,649	**772,124**
Remuneration of Acting Chief Finance Officer - W Weilbach		
Annual Remuneration	499,734	-
Car Allowance	74,240	-
Cellphone Allowance	5,000	-
Contributions to UIF, Medical and Pension Funds	54,520	-
	633,494	**-**
Remuneration of Acting Chief Finance Officer - S Mahonie		
Annual Remuneration	175,197	-
Car Allowance	52,509	-
Cellphone Allowance	1,731	-
Contributions to UIF, Medical and Pension Funds	18,233	-
	247,669	**-**
Corporate and Human Resources (Corporate Services) - G Baster		
Annual Remuneration	637,614	520,913
Car Allowance	190,113	168,295
Cellphone Allowance	6,411	6,411
Contributions to UIF, Medical and Pension Funds	165,593	65,458
	999,732	**761,078**

Remuneration of Technical Director - D Dolopi

Annual Remuneration	613,726	-
Car Allowance	190,113	-
Cellphone Allowance	6,411	-
Contributions to UIF, Medical and Pension Funds	3,569	-
	813,819	**-**

Corporate and Human Resources (Corporate Services) - Van Der Westhuizen

Annual Remuneration	526,709	284,134
Car Allowance	162,064	84,147
Cellphone Allowance	5,343	3,206
Contributions to UIF, Medical and Pension Funds	2,974	98,066
	697,090	**469,554**

Remuneration of Technical Director - D Jacobs

Annual Remuneration	672,485	215,738
Car Allowance	197,905	75,508
Cellphone Allowance	6,411	2,705
Contributions to UIF, Medical and Pension Funds	156,479	892
	1,033,280	**294,844**

Remuneration of Community Service Director - F van Eck

Annual Remuneration	639,634	520,913
Car Allowance	190,113	168,295
Cellphone Allowance	6,411	6,411
Contributions to UIF, Medical and Pension Funds	156,479	45,060
	992,637	**740,680**

25. Remuneration of councillors

Mayor	689,236	537,409
Councillors	1,568,861	1,164,238
Travelling Allowance	465,162	506,721
Cellphone and other allowance	264,114	165,133
	2,987,373	**2,373,500**

In-kind benefits

The Mayor is full-time. He is provided with an office and secretarial support at the cost of the Council.

26. Debt impairment

Debt impairment	8,861,177	4,629,721

27. Interest earned - External invest

Interest received from receivables

Receivables	-3,607,909	-

Interest revenue

Bank	-296,365	-270,807
	-3,904,274	**-270,807**

28. Depreciation and amortisation

Property, plant and equipment	**7,355,644**	**7,926,615**

29. Finance costs

Non-current borrowings	367,452	1,700,244

30. Auditors' remuneration

Fees	393,481	151,238

31. Grants and subsidies paid

Other subsidies

MSIG Expenditure	-	1,441,094
MIG Expenditure - UDS Toilets	-	-
	-	1,441,094

32. Bulk purchases

Water	1,200,242	901,171

33. Cash generated from operations

(Deficit) surplus	599,950	-3,823,490
Adjustments for:		
Depreciation and amortisation	7,355,644	7,926,615
Gain on sale of non-current assets and disposal groups	-2,069,581	-2,038,307
Finance costs - Finance leases	-367,452	-1,700,244
Interest income	3,607,909	
Interest earned - Investment	296,365	270,807
Debt impairment	8,861,177	4,629,721
Movements in operating lease assets and accruals		
Movements in provisions	-	-
Other non-cash items	-4,273,745	5,484,279
Changes in working capital:		
Inventories	42,205	-
Other receivables from non-exchange transactions	-1,044,114	-
Consumer debtors	1,328,886	-
Investments	-14,611	-
Payables from exchange transactions	550,759	-
VAT Receivable	-977,297	-
VAT Payable	-3,176,273	-
Unspent conditional grants and receipts	6,564,241	-
Consumer deposits	-100	-
Current portion of borrowings	-1,112,980	-
Provisions	285,287	-4,364,337
	16,456,271	**6,385,043**

34. Commitments

Authorised capital expenditure

Already contracted for but not provided for

Commitment as at 30 June 2018	11,411,040	5,822,167

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

35. Contingencies

The municipality is ccurrently involve in court case relating to an accident on the N10 National road. The matter deals with responsibility of maintaining the fences. The estimated costs amounted to R1 768 000.

36. Related parties

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

36.1 Interest of Related Parties

Councillors and/or management of the municipality have relationship with businesses as indicated below:

Name of Related Person	Designation	Relationship	Related Party
Cllr AL Diergaardt	Mayor	Member of municipal council	None
Cllr S Esau	Councillor	Member of municipal council	None
Cllr J Silo	Councillor	Member of municipal council	None
Cllr A Tobias	Councillor	Member of municipal council	None
Cllr K Esau	Councillor	Member of municipal council	None
Cllr E Cloete	Councillor	Member of municipal council	None
Cllr G Beukes	Councillor	Member of municipal council	None
J Willemse	Acting Municipal Manager	Member of key management	Member of Black Sparrow Trading
D Dolopi	Technical Director	Member of key management	Member of Kizuka Holdings Member of Press A Phanda Solutions
D Jacobs	Acting Director Corporate Service	Member of key management	None
G Cloete	Employee of the municipality	Close family member of Member of Council. Husband of Councillor E Cloete.	None
CS van Eck	Community Service Director	Member of key management	None

Related Person

Employee cost	2018	2017
G Cloete	-	267,986.40
	-	**267,986.40**

36.2 Service rendered to Related Parties.

The municipality did not render any service other than the normal municipal billings (service charges, rates etc) on the approved tariff structure of the municipality to councillors and top management. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

Related party transactions

Related Party		
Cllr A Diergaardt		-
Cllr K Esau		-
Cllr E Cloete		-
Cllr S Esau		-
FS Van Eck		-
Total	**-**	**-**

36.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans were granted to Councillors, Management, Staff and Public by !Kheis Municipality.

36.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Appendix G, Statement of Remuneration of Managment, to the Annual Financial Statements.

37. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

38. Events after the reporting date

No events are known at time of submission of annual financial statement that may have a material impact on !Kheis Municipality’s going concern.

39. Prior period errors

Property, Plant and Equipment disclosed in prior year financial statements was not impaired which resulted in a overrstatement of Property, Plant and Equipment. These errors as indicated in audit report.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Increase/ (Decrease) in Infrastructure Assets	-2,841,914	7,451
Decrease in Community Assets	-213,853	-213,853
Increase/ (Decrease) in Land and Buildings Assets	-	-
Increase in Other Assets	7,694,611	-8,004,772
Decrease in Movable Assets	-	-19,683
Increase in Other Assets Depreciation	-	-
Increase in Infrastructure Assets Depreciation	1,035,317	69,396
Increase in Community Assets Depreciation	146,305	135,563
Increase in Other Assets Depreciation	-8,006,271	7,452,751
Increase/ (Decrease) in Work in Progress	-750,393	-
Decrease in Unauthorised expenditure	-	457,424
Decrease in Trade and other payables	327,115	-
Decrease in Debtors	-	-
Decrease in Debtors SARS SDL	-	-
Decrease in VAT Receivable	-	-
Decrease in Creditors	-	-
Increase/ (Decrease) in Accumulated Surplus	**-2,609,083**	**-115,722**

40. Comparative figures

The reporting period is longer than a year, therefore comparative amounts are comparable to the current balances.

41. Unauthorised expenditure

Opening balance	18,966,291	14,450,831
Unauthorised expenditure	-	4,515,460
Unauthorised expenditure (2014/15)	-	-
Condoned (Prior Period Correction)	-	-
Condoned	-	-
	18,966,291	**18,966,291**

The unauthorised expenditure relates to Vehicle registration fees votes budget which were overspent.

42. Fruitless and wasteful expenditure

Opening balance	3,917,595	344,365
Fruitless and wasteful expenditure - 2017/2018 (Interest on creditors)	50,466	24,014
Interest and penalties paid to SARS on EMP201 late payments	110,355	110,355
Interest paid to Nashua due to non-payment of operating lease	374,402	257,936
Back pay of 32 re-instated employees as a result of a court order	781,101	3,180,925
Condoned		-
	5,233,919	3,917,595

The amount of fruitless and wasteful expenditure for 2014/2015, 2015/2016 and 2016/2017 2017/2018 consists of interest and understatement penalties levied by The South African Revenue Services during the recent VAT audits. The Council submitted ADR1 forms to apply for the write off of these penalties and interests. The amount for Auditor General could not be condoned by council, because payments are made by National Treasury.

43. Irregular expenditure

Opening balance	-	880,866
Add: Irregular Expenditure - current year	-	-
The full extent of irregular expenditure could not be determined		
Less: Amounts condoned or transferred to debtors	-	-880,866
	-	-

Details of irregular expenditure - prior year

Court case of the appointment of the Municipal Manager	Council made a decision according to the Court ruling stating that Councillors W Maritz, S Esau and AL Diergaardt are collectively and individually responsible for the costs incurred in the process of the appointment of Mr Ronnie van der Westhuizen. Maritz and the two other are responsible for the repayment of legal costs in amount of R 394 596,94 and adverting costs of R 23 000,00.	417,597
Salary increases	Increases of salaries and allowances without Council approval	463,270
		880,867

44. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

Opening balance	1,106,435	656,500
Current year fee	410,000	754,935
Amount paid - current year	-	-305,000
	1,516,435	**1,106,435**

Audit fees - [MFMA 125 (1)(c)]

Opening balance	2,784,932	2,784,932
Current year audit fee	1,911,200	1,695,511
External Audit Fees	1,911,200	
Internal Audit Fees		
Audit Committee		
Amount paid - current year		-
	6,607,333	**2,784,932**

PAYE and UIF - [MFMA 125 (1)(c)]

Current year fee	3,564,985	3,158,920
Amount paid - current year	-3,564,985	-3,130,495
	-	**28,425**

Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]

Current year fee	4,618,339	1,293,329
Amount paid - current year	-4,618,339	-927,438
	-	365,891

VAT - [MFMA 125 (1)(c)]

VAT Receivable	1,029,348	52,050

VAT output payables and VAT input receivables are shown in note 9.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2018

30-Jun-18	**Outstanding less than 90 days**	**Outstanding more than 90 days**	**Total**
Cllr E Cloete			**-**
Cllr K Esau	222	642	**864**
	222	**642**	**864**

30-Jun-17	**Outstanding less than 90 days**	**Outstanding more than 90 days**	**Total**
Cllr E Cloete			
Cllr K Esau	222	642	**864**
	222	**642**	**864**

In calculation of debt impairment, Councilors were excluded.

30-Jun-18	Highest outstanding amount	Aging (in days)
Councillor K Esau	864	120
Councillor AL Diergaardt		
	864	**120**

30-Jun-17	Highest outstanding amount	Aging (in days)
Councillor K Esau	864	120
Councillor AL Diergaardt		
	864	**120**

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

45. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

Goods and Services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Reference nr	Supplier Name	Authorised	Amount	Reason
6541	J.G Harber	Yes	R 150,188.20	Emergency, due to cash flow constrain service provider was apponted. See council resolution
6542	J.G Harber	Yes	R 120,000.00	Emergency, due to cash flow constrain service provider was apponted. See council resolution
6661	The Key Master	Yes	R 2,380.00	Sole service provider
6668	Cornellissen Incorporated	Yes	R 5,000.00	Emergency services Premier's Office advice municipality to use the service provider.
6660	Bytes Universal System	Yes	R 201,651.16	Sole service provider
6679	Mthembu & Mohamed	Yes	R 15,575.00	Emergency services Premier's Office advice municipality to use the service provider.
6699	J.G Harber	Yes	R 109,746.10	Emergency, due to cash flow constrain service provider was apponted. See council resolution
6715	Mthembu & Mohamed	Yes	R 18,690.00	Emergency services Primiers Office advice municipality to use the service provider.
6730	Phatshoanehenny Attorneys	Yes	R 22,800.00	Only service provider that was available for hearing
6741	Mthembu & Mohamed	Yes	R 16,821.00	Emergency services Primiers Office advice municipality to use the service provider.

6743	J.G Harber	Yes	R 130,000.00	Emergency, due to cash flow constrain service provider was apponted. See council resolution
6707	Towel & Groenewaldt Attorneys	Yes	R 27,382.80	Emergency services Primiers Office advice municipality to use the service provider.
6751	Towel & Groenewaldt Attorneys	Yes	R 44,314.78	Emergency services Primiers Office advice municipality to use the service provider.
6761	Mthembu & Mohamed	Yes	R 57,053.30	Emergency services Primiers Office advice municipality to use the service provider.
6737	Bytes Universal System	Yes	R 86,815.30	Sole service provider
6729	Phatshoanehenny Attorneys	Yes	R 33,817.66	Only service provider that was available for hearing
6726	Bytes Universal System	Yes	R 80,925.16	Sole service provider
6779	Trans Oranje Drukkers	Yes	R 9,470.52	Sole service provider
6780	Hadeda News	Yes	R 5,950.00	Only service provider with available advert space
6782	Andrag Agrico	Yes	R 24,798.42	Emergency,impractical to follow SCM procedure
6783	Gemsbok	Yes	R 14,197.28	Only service provider with available advert space
6785	Hadeda News	Yes	R 3,460.50	Only service provider with available advert space
6786	Gemsbok	Yes	R 5,207.40	Available supplier for publish the advert post of the Municipal Manager.
6806	J.G Harber	Yes	R 99,746.01	Emergency, due to cash flow constrain service provider was apponted. See council resolution
6833	GM Januarie	Yes	R 18,837.61	
6870	Mthembu & Mahomed	Yes	R 28,196.00	Emergency services Primiers Office advice municipality to use the service provider.
6871	Mthembu & Mahomed	Yes	R 12,414.47	Emergency services Primiers Office advice municipality to use the service provider.
6888	Media 24	Yes	R 38,304.00	Only national news paper who had available space
6894	Towel Groenewaldt Attorneys	Yes	R 57,360.00	Emergency services Primiers Office advice municipality to use the service provider.
6896	Mthembu & Mahomed	Yes	R 56,436.00	Emergency services Primiers Office advice municipality to use the service provider.
6915	Government Printing Works	Yes	R 4,000.00	Sole service provider
6930	Towell Groenewaldt Attoneys	Yes	R 30,000.00	Emergency services Primiers Office advice municipality to use the service provider.
8553	Cornellissen Incorporated	Yes	R 60,000.00	Emergency services Primiers Office advice municipality to use the service provider.
8564	Towell Groenewaldt Attoneys	Yes	R 33,060.00	Emergency services Primiers Office advice municipality to use the service provider.
8599	Broom Engineering CC	Yes	R 9,087.30	Sole service provider
7955	Vukuzenzele Boukontrakteurs	Yes	R 14,999.99	Emergency

7966	GM Januarie	Yes		R 3,154.91	
7967	Trans Oranje Drukkers	Yes		R 4,158.49	Sole Supplier Service are available from a single supplier only.
7974	Oranje Nissan	Yes		R 10,320.22	Sole service provider
7890	Government Printing Works	Yes		R 38,469.65	Sole service provider
7829	JE Jansen	Yes		R 25,000.00	Emergency, impractical to obtain three quotes
7834	CB Construction	Yes		R 13,000.00	Emergency, impractical to obtain three quotes
7837	Alstop	Yes		R 5,374.68	Only service provider available to help at short notice
7835	Electro Vlok CC	Yes		R 5,814.00	Emergency, only service provider who was able to deliver goods
7842	Value Revolution Consulting (Pty) Ltd	Yes		R 12,900.00	Emergency, only service provider available to assist
7771	KLK Landbou Beperk	Yes		R 2,369.80	Emergency, only service provider that had the pump available
7777	Aandrag Agrico	Yes		2,736.00	Emergency, only service provider that had the pump available
7786	Karsten Plant Hire	Yes		R 31,293.00	Emergency, only service provider that was available to provide goods
7796	Mthembu & Mahomed	Yes		24,920.00	Emergency services Primiers Office advice municipality to use the service provider.
7797	Mthembu & Mahomed	Yes		5,337.93	Emergency services Primiers Office advice municipality to use the service provider.
7798	Mthembu & Mahomed	Yes		3,488.00	Emergency services Primiers Office advice municipality to use the service provider.
7809	Mthembu & Mahomed	Yes		14,050.50	Emergency services Primiers Office advice municipality to use the service provider.
7810	Koortzen Elektries BK	Yes		R 3,009.60	Emergency, Strip & quote
7818	JE Jansen	Yes		28,000.00	Emergency, repair of water treatment plant
7731	Media 24	Yes	R	11,491.20	Only National news paper that had available space
7734	J.G Harber	Yes		R 80,000.10	Emergency, due to cash flow constrain service provider was apponted. See council resolution
7737	GM Januarie	Yes		R 6,279.20	
7738	Aandrag Agrico	Yes	R	4,786.29	Only supplier that can supply the pump.
7742	Cornellissen Incorporated	Yes	R	10,777.00	Emergency services Primiers Office advice municipality to use the service provider.
7769	Mthembu & Mahomed	Yes		29,008.00	Emergency services Primiers Office advice municipality to use the service provider.
7761	Towel & Groenewaldt Attorneys	Yes	R	40,000.00	Emergency services Primiers Office advice municipality to use the service provider.
6946	Hadeda News	Yes		R 5,950.00	Only service provider with available space
7718	Phatshoane Henny Attornays	Yes		R 11,400.00	Only service provider that was available for hearing

7721	Phatshoane Henny Attornays	Yes	R 24,252.00	Only service provider that was available for hearing
7965	Trans Oranje Drukkers	Yes	R 13,999.17	Sole Supplier Service are available from a single supplier only.
7974	Oranje Nissan	Yes	R 18,546.06	Sole Supplier Service are available from the dealer only.
6531	Decoration Enterprises	Yes	R 4,600.00	Only service provider who delivered on short notice
6719	Phatshoanehenny Attorneys	Yes	R 44,447.42	Only service provider that was available for hearing
6724	Gemsbok	Yes	R 2,790.72	Available supplier for publish of the advert for chemicals.
8936	Logical Shift Solutions	Yes	R 118,987.00	Sole service provider
8943	Logical Shift Solutions	Yes	R 85,621.00	Sole service provider
			2,395,017.90	

46. Going Concern Assessment

Management considered the following matters relating to the Going Concern:

On 31 May 2014 the Council adopted the 2013/2014 to 2015/16 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

Strict daily cash management processes are embedded in the municipality’s operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors’ collection rates and creditors’ payment terms are closely monitored and the necessary corrective actions instituted.

The municipality is not able to settle supplier accounts within 30 days of receipt of the invoice and 30% of trade payables are outstanding for periods exceeding 30 days;

The municipality is based in a remote area in the Northern Cape Province with little economic activity and many community members are classified as indigent consumers of the municipality. As a result the municipality struggles to collect revenue and this result in significant cash flow problems, which cast significant doubt on the municipality’s ability to continue as a going concern. The municipality is dependent on national and provincial grants for its continued existence.

Taking the aforementioned into account, management has prepared the Annual financial Statements on the Going - Concern basis.

47. Financial Instruments

		2018	2017

In accordance with GRAP 104.45 the financial liabilities and assets of the municipality are classified as follows:

Financial Assets	**Classification**	**2018**	**2017**
Investments			
Unlisted Investments	Financial Instruments at fair value	-	-
FNB	Financial Instruments at cost	112,583	97,972
Fixed Deposits - FNB	Financial Instruments at amortised cost		
Receivables from Exchange Transactions			
Water	Financial Instruments at amortised cost	14,085,293	10,506,256
Sewerage	Financial Instruments at amortised cost	8,171,287	6,392,879
Refuse	Financial Instruments at amortised cost	12,355,336	9,476,604
Other debtors	Financial Instruments at amortised cost	3,765,347	2,764,592
VAT debtors	Financial Instruments at amortised cost	-	3,176,273

Receivables from Non-Exchange Transactions			
Various controls	Financial Instruments at amortised cost	880,866	880,866
Sundry Debtors	Financial Instruments at amortised cost	1,856,782	1,588,706
Cash and Cash Equivalents			
Bank Balances	Financial Instruments at amortised cost	90,724	108,990
Call Deposits	Financial Instruments at amortised cost	746	200,847
Total Financial Assets		**41,318,963**	**35,193,983**

SUMMARY OF FINANCIAL ASSETS		**2018**	**2017**
Financial Instruments at amortised cost:			
Investments	FNB	112,583	97,972
Investments	Fixed Deposits - FNB	-	-
Receivables from Exchange Transactions	Water	14,085,293	10,506,256
Receivables from Exchange Transactions	Sewerage	8,171,287	6,392,879
Receivables from Exchange Transactions	Refuse	12,355,336	9,476,604
Receivables from Exchange Transactions	Other debtors	3,765,347	2,764,592
Receivables from Exchange Transactions	VAT debtors	-	3,176,273
Receivables from Non-exchange Transactions	Various controls	880,866	880,866
Receivables from Non-exchange Transactions	Sundry Debtors	1,856,782	1,588,706
Cash and Cash Equivalents	Bank Balances	90,724	108,990
Cash and Cash Equivalents	Call Deposits	746	200,847
Total Financial Assets		**41,318,963**	**35,193,983**

Financial Liabilities	**Classification**	**2018**	**2017**
Long-term Liabilities			
DBSA loan	Financial Instruments at amortised cost	-	-
Capitalised Lease Liability	Financial Instruments at amortised cost	874,830	1,987,810
Trade and Other Payables			
Trade Creditors	Financial Instruments at amortised cost	11,489,908	12,907,977
Payments received in advance	Financial Instruments at amortised cost	-	475,809
Retentions	Financial Instruments at amortised cost	-	-
Other Creditors	Financial Instruments at amortised cost	8,054,012	5,609,376
Total Financial Liabilities		**20,418,750**	**20,980,972**

SUMMARY OF FINANCIAL LIABILITIES		**2018**	**2017**
Financial instruments at amortised cost:			
Long-term Liabilities	DBSA loan	-	-
Long-term Liabilities	Capitalised Lease Liability	874,830	1,987,810
Trade and Other Payables	Trade Creditors	11,489,908	12,907,977
Trade and Other Payables	Payments received in advance	-	475,809
Trade and Other Payables	Retentions	-	-
Trade and Other Payables	Other Creditors	8,054,012	5,609,376
Total Financial Liabilities		**20,418,750**	**20,980,972**

48. FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality’s financial performance.

a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

b) Price Risk

The municipality is not exposed to price risk.

c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 7 and 8 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

	2018 %	2018 R	2017 %	2017 R
Non-exchange Receivables				
Rates	100.00%	21,018,942	100.00%	8,103,310

	2018 %	2018 R	2017 %	2017 R
Exchange Receivables				
Water	36.70%	14,085,293	32.51%	10,506,256
Sewerage	21.29%	8,171,287	19.78%	6,392,879
Refuse	32.19%	12,355,336	29.32%	9,476,604
Other debtors	9.81%	3,765,347	8.55%	2,764,592
VAT debtors	0.00%	-	9.83%	3,176,273
	100.00%	**38,377,263**	**100.00%**	**32,316,603**

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 17 and 18 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of receivables as follow:

	2018 %	2018 R	2017 %	2017 R
Non-exchange Receivables				
Rates	0.00%	-	23.51%	6,807,752
Exchange Receivables				
Services	100.00%	29,532,555	76.49%	22,143,008
	100.00%	**29,532,555**	**100.00%**	**28,950,760**

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (First National Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

	2018 R	2017 R
Financial assets exposed to credit risk at year end are as follows:		
Receivables from exchange transactions	38,377,263	32,316,603
Cash and Cash Equivalents	92,996	309,387
	38,470,259	**32,625,990**

e) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2017											
Financial Performance											
Property rates	4,703,007	761,000	5,464,007	-		5,464,007	4,527,683		936,324	83%	96%
Service charges	9,331,000	988,000	10,319,000	-		10,319,000	9,904,817		414,183	96%	106%
Management do not have sufficient records relating to interest capitalised on plant and equipment to enable retrospective expensing of borrowing cost. For this reason the change in accounting policy is applied prospectively.	245,000	55,000	300,000	-		300,000	296,365		3,635	99%	121%
Transfers recognised - operational	25,185,900	719,000	25,904,900	-		25,904,900	29,101,787		-3,196,887	112%	116%
Other own revenue	5,454,354	708,668	6,163,022	-		6,163,022	2,119,402		4,043,620	34%	39%
Total revenue (excluding capital transfers and contributions)	**44,919,261**	**3,231,668**	**48,150,929**	**-**		**48,150,929**	**45,950,054**		**2,200,875**	**95%**	**102%**
Employee costs	27,612,432	4,440,349	32,052,781	-	-	32,052,781	25,787,524	-	6,265,257	80%	93%
Remuneration of councillors	3,081,000	718,000	3,799,000	-	-	3,799,000	2,987,373	-	811,627	79%	97%
Debt impairment	5,535,000	-	5,535,000	-	-	5,535,000	8,861,177	-	-3,326,177	160%	160%
Depreciation and asset impairment	3,412,997	3	3,413,000	-	-	3,413,000	7,355,644	-	-3,942,644	216%	216%
Finance charges	-	-	-	-	-	-	367,452	-	-367,452	#DIV/0!	#DIV/0!
Materials and bulk purchases	3,487,384	-161,810	3,325,574	-	-	3,325,574	1,200,242	-	2,125,332	36%	34%
Transfers and grants	-	3,419,017	3,419,017	-	-	3,419,017	-	-	3,419,017	0%	#DIV/0!
Other expenditure	17,580,447	-3,145,000	14,435,447	-	-	14,435,447	15,149,187	-	-713,740	105%	86%
Total expenditure	**60,709,260**	**5,270,559**	**65,979,819**	**-**	**-**	**65,979,819**	**61,708,600**	**-**	**4,271,219**	**94%**	**102%**

Surplus/(Deficit)	**-15,789,999**	**-2,038,891**	**-17,828,890**	**-**	**-**	**-17,828,890**	**-15,758,546**	**-**	**-2,070,344**	**0**	**0**

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	18,298,000	1,100,000	19,398,000	-		19,398,000	12,750,587		6,647,413	66%	70%
Surplus (Deficit) after capital transfers and contributions	**2,508,001**	**-938,891**	**1,569,110**	**-**		**1,569,110**	**-3,007,959**		**4,577,069**	**68%**	**70%**
Surplus/(Deficit) for the year	**2,508,001**	**-938,891**	**1,569,110**	**-**		**1,569,110**	**-3,007,959**		**4,577,069**	**68%**	**70%**
Capital expenditure and funds sources											
Total capital expenditure	-	-	-	-		-	-		-	0%	0%
Cash flows											
Net cash from (used) operating	-6,303,853	-	-6,303,853	-		-6,303,853	16,783,385		-23,087,238	-266%	-266%
Net cash from (used) investing	16,905,000	-	16,905,000	-		16,905,000	-10,811,901		27,716,901	-64%	-64%
Net cash from (used) financing	-	-	-	-		-	-6,187,876		6,187,876	#DIV/0!	#DIV/0!
Net increase/(decrease) in cash and cash equivalents	**10,601,147**	**-**	**10,601,147**	**-**		**10,601,147**	**-216,392**		**10,817,539**	**#DIV/0!**	**#DIV/0!**
Cash and cash equivalents at the beginning of the year	-1,097,000	-	-1,097,000	-		-1,097,000	309,387		-1,406,387	-28%	-28%
Cash and cash equivalents at year end	**9,504,147**	**-**	**9,504,147**	**-**		**9,504,147**	**92,995**		**9,411,152**	**1%**	**1%**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue by source						
Property rates	4,703,007	761,000	**5,464,007**	4,527,683	**-936,324**	Implementation of revenue enhancement programme
Management do not have sufficient records relating to interest capitalised on plant and equipment to enable retrospective expensing	9,331,000	988,000	**10,319,000**	9,904,817	**-414,183**	To be investigate
Investment revenue	245,000	55,000	**300,000**	296,365	**-3,635**	
Transfers recognised - operational	25,185,900	719,000	**25,904,900**	29,101,787	**3,196,887**	National Treasury: AG payments
Other own revenue	5,454,354	708,668	**6,163,022**	2,119,402	**-4,043,620**	Implementation of revenue enhancement programme only started in April 2018
Total revenue (excluding capital transfers and contributions)	**44,919,261**	**3,231,668**	**48,150,929**	**45,950,054**	**-2,200,875**	
Expenditure by type						
Employee costs	27,612,432	4,440,349	**32,052,781**	25,787,524	**-6,265,257**	Budget incorrect - not budgeted for the 32 strikers
Remuneration of councillors	3,081,000	718,000	**3,799,000**	2,987,373	**-811,627**	Budget incorrect - not budgeted for upper limits
Debt impairment	5,535,000	-	**5,535,000**	8,861,177	**3,326,177**	Council embarked on a process of debtors cleansing, hence the large impairment
Depreciation and asset impairment	3,412,997	3	**3,413,000**	7,355,644	**3,942,644**	Incorrect budget - not including new additions
Finance charges	-	-	**-**	367,452	**367,452**	New Nashua Leases
Materials and bulk purchases	3,487,384	-161,810	**3,325,574**	1,200,242	**-2,125,332**	Budget incorrect
Transfers and grants	-	3,419,017	**3,419,017**	-	**-3,419,017**	
Other expenditure	17,580,447	-3,145,000	**14,435,447**	15,149,187	**713,740**	Budget figure includes debt impairment
Total expenditure	**60,709,260**	**5,270,559**	**65,979,819**	**61,708,600**	**-4,271,219**	
Surplus/(Deficit)	**-15,789,999**	**-2,038,891**	**-17,828,890**	**-15,758,546**	**2,070,344**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Transfers recognised - capital	18,298,000	1,100,000	**19,398,000**	12,750,587	**-6,647,413**	Unspent grants - Late appointment of Contructors
Surplus (Deficit) after capital transfers and contributions	**2,508,001**	**-938,891**	**1,569,110**	**-3,007,959**	**-4,577,069**	
Surplus/(Deficit) for the year	**2,508,001**	**-938,891**	**1,569,110**	**-3,007,959**	**-4,577,069**	
Reconciliation						
Statement of Financial Position						
Assets						
Current Assets						
Cash	600,000	-	600,000	205,579	**-394,421**	
Consumer debtors	25,568,273	-	25,568,273	15,041,862	**-10,526,411**	Impairment and VAT disclosure
Other debtors	1,530,000	-	1,530,000	1,029,348	**-500,652**	Property rates disclosed as non-exchange transactions
Current portion of long-term receivables	-	-	-	-	**-**	
Inventory	-	-	-	286,401	**286,401**	Stock take at year end previously expensed
	27,698,273	**-**	**27,698,273**	**16,563,190**	**-11,135,083**	
Non-Current Assets						
Property, Plant and Equipment	179,624,168	-	179,624,168	163,210,976	**-16,413,192**	Prior year adjustments updated FAR
Intangible	-	-	-	-	**-**	
	179,624,168	**-**	**179,624,168**	**163,210,976**	**-16,413,192**	
Total Assets	**207,322,441**	**-**	**207,322,441**	**179,774,166**	**-27,548,275**	
Liabilities						
Current Liabilities						
Bank overdraft	-	-	-	-	**-**	
Borrowing	-	-	-	-	**-**	Short term portion of borrowings
Consumer deposits	-	-	-	90,031	**90,031**	Incorrect budget
Trade and other payables	8,000,000	-	8,000,000	19,871,035	**11,871,035**	VAT payable on payment basis now disclosed
Provisions	-	-	-	4,089,111	**4,089,111**	
Other current liabilities				7,983,074	**7,983,074**	Short term portion of borrowings - Nashua leases

8,000,000	**-**	**8,000,000**	**32,033,251**	**24,033,251**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Non-Current Liabilities						
Borrowing	3,538,441	-	3,538,441	2,377,908	**-1,160,533**	Nashua leases
	3,538,441	**-**	**3,538,441**	**2,377,908**	**-1,160,533**	
Total Liabilities	**11,538,441**	**-**	**11,538,441**	**34,411,159**	**22,872,718**	
Nett Assets	**195,784,000**	**-**	**195,784,000**	**145,363,007**	**-50,420,993**	
Community wealth/equity						
Accumulated Surplus/(deficit)	195,784,000	-	195,784,000	145,069,527	**-50,714,473**	Prior year adjustments updated FAR
Total community wealth/equity	**195,784,000**	**-**	**195,784,000**	**145,069,527**	**-50,714,473**	